GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3014
ANSWERED ON:10.08.2001
GROWTH RATE Q U E S T I O N
MANJAY LAL

Will the Minister of FINANCE be pleased to state:

he action taken to arrest the short fall and achieve the targeted growth rate in the remaining period of the Five Year Plan in respect of domestic saving?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

As per the Mid Term Appraisal of Ninth Five Year Plan (1997-2002) brought out by the Planning Commission, theMain shortfall in domestic savings has been in the Public sector, which is 70 per cent below the target. This has occurred through both a worsening of fiscal position of the Centre and State Governments and a lower-than-expected generation of internal resources by public sector enterprises. With a view to achieve fiscal consolidation, the Budget for 2001-02 emphasises expenditure management through the process of bringing about structural changes in the composition of Central Government expenditure, economy in non-plan revenue expenditure while improving the quality of expenditure. To this end the Budget contains a number of initiatives which among others include restricting fresh recruitment to one per cent of total civilian staff strength, user charges for services provided by the Government and its agencies to be revised keeping in view the increased Cost of these services etc. Further, with a view to reduce interest burden, most administered interest rates were reduced by 1.5 per cent as of March 1, 2001. Besides, the Fiscal Responsibility and Budget Management Bill, 2000 was introduced in Parliament in Decembner, 2000.This Bill includes provisions relating to ceiling on debt, deficit and borrowing. Also it is Central Government`s endeavour to work jointly with the States to reform their Finances. Pursuant to the recommendations of the Eleventh Finance Commission, an Incentive Fund of Rs.10,607 crore has been earmarked for the next five years to encourage States to implement monitorable fiscal reforms. For increasing aggregate savings in the Economy it is also imparative to improve the parameters which have a bearing on private savings. This includes tax policies, monetary policy, inflation efficiency of the Banking system and the capital market and confidence in economy apart from measures aimed at fiscal consolidation to improve public savings. The various economic reforms measures undertaken so far and measures Announced in this years`s Budget to contain expenditure in Particular are expected to have a favourable impact on Aggregate level of savings.